



*Mike Huckabee*  
Governor

# The AID Newsletter



*Mike Pickens*  
Commissioner

*Spring 2002*

**Insurance News from the  
ARKANSAS INSURANCE DEPARTMENT  
We Work For You!**

*Vol. III, No. 1*

## Insurance Fraud Investigators Now Empowered to Make Arrests

Five members of the Insurance Department's Fraud Investigation Division have been certified as special law enforcement officers and now have the power to execute search and seizure and arrest warrants. Act 743 of 2001 authorized the investigators to receive the special law enforcement designation.

"We are grateful to the Governor and the Arkansas General Assembly for supporting our efforts to protect the lives of our Fraud Investigators," Commissioner Pickens said. "Now that we have the authority to carry firearms and execute arrest warrants, our investigators will be safer and the investigation process can be expedited."

Prior to receiving cer-

tification as special law enforcement officers, investigators for the Insurance Fraud Investigation Division were required to rely on other law enforcement agencies to execute arrest warrants. Having the internal authority to make arrests will speed up the investigation and prosecution process, Department officials said.

In addition to expedited investigations, Fraud investigators are authorized to carry a firearm, which is expected to increase the safety of those officers. **"We have uncovered increasingly dangerous backgrounds on many of the suspects we are investigating,"** Marty Nevrla, Director of the Department's Fraud Investigation Division,

said. "The records of suspects can range from homicide and aggravated assault to drug trafficking. It is important to ensure the protection of our investigators who are often placed in very dangerous situations."

The Fraud Division's new special law enforcement officers are all former police officers and were required to complete a 57-hour refresher course in order to be certified. The training was provided by the Little Rock Police Department and is approved for certification by the Arkansas Commission on Law Enforcement Standards and Training.

Arkansas is the 17<sup>th</sup> of 41 states, which have Fraud Investigation Divisions, to receive the law enforcement designation.



(L to R) 1st Row : Monty Vickers, Rep. Bob Adams, Mike Pickens and Pat O'Kelley; 2nd Row: Brian White, Bill Bryan, Marty Nevrla and Dave Roff at the Law Enforcement Certificate Ceremony

**For more information, visit our web site at [www.state.ar.us/insurance](http://www.state.ar.us/insurance)**

*The Arkansas Insurance Department is located at 1200 West Third Street (the corner of Third and Cross Streets) in Downtown Little Rock, Arkansas. The purpose of the State Insurance Department is to serve and protect the public interest by the equitable enforcement of Arkansas laws impacting the insurance industry. Our primary mission shall be consumer protection through insurer solvency and market conduct regulation, and fraud prosecution and deterrence.*



# Insurance Department Works With Nursing Home Advocates/Owners on Common Goal

Advocates for nursing home residents, nursing home owners, and members of the Arkansas Insurance Department have begun discussions in an effort to define ways the group can work together to improve quality of care in the State's nursing homes and to attract long-term care insurance companies back into Arkansas's insurance market.

Act 1825 of 2001, required the Insurance Department to hold a hearing to determine if liability insurance for Arkansas nursing homes was "reasonably available." Based on evidence at a hearing held last fall, the Department found that out of 80 admitted insurers holding certificates authorizing them to write long-term care liability coverage, only five have products filed with the Department. Two of those five companies have no business due to extremely stringent underwriting restrictions; one of the five has policies but is not renewing; and one of the five companies is selectively renewing policies. None were writing new policies.

As a result of those findings, the Governor, the President Pro Tempore of the Senate and the Speaker of the House appointed a board. This Board, the Long Term Care Liability Insurance Plan Governing Board, will create an insurance pool in an attempt to provide insurance coverage for nursing homes.

The Board elected the following officers: Chairman,

Mr. Bud Bulloch; Mr. Marty Rhodes as Vice Chairman; and Mr. Richard Chronister serves as Secretary.

Meetings between the nursing home resident advocates group, nursing home owners, and the Insurance Department will continue as a supplement work to the Board, Insurance Department officials said.

Commissioner Pickens committed, both to the nursing home owners and resident advocate groups, that the Insurance Department would do all it could to keep the insurance industry informed of the group's discussions and progress; and to make every effort possible to stimulate interest among insurers, which would cause them to return to the Arkansas market.

"This will be a tough sell right now," Commissioner Pickens said. "But hopefully these talks will result in action and circumstances will change. The evidence at our hearing last year demonstrated that the affected commercial consumers, nursing home owners, and insurers had serious concerns about what they believe is the unlevel legal playing field here in Arkansas," the Commissioner continued. A January 11, 2002, study by the United States Chamber of Commerce of the legal environments in all states ranked Arkansas as number 44, one of the worst legal environments for business in the country. "Until these perceptions are addressed in some meaningful way, we are concerned insurers may remain unwilling to come back into our market."

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# Commissioner's Comments



## Answering the Call of 9-11

On Tuesday, September 11, 2001, at 8:45 a.m. EDT, our lives as Americans changed forever. Our generation -- a generation often said to be without much of a purpose other than the pursuit of wealth and self-gratification -- suddenly had a vital purpose: To reestablish our national security and stabilize and grow the American economy for the benefit of ourselves and our children.

The terrorist attacks on the World Trade Center, Pentagon and airlines resulted in the greatest loss the insurance industry has ever faced, both in terms of human life and financial loss, and will have ramifications all over this country and the world. The insurance industry, though deeply impacted by the destruction of September 11, 2001, has remained constant in its ability and commitment to do its part to assist in the recovery efforts of its consumers. Consequently, the Arkansas Insurance Department will not approve any terrorism exclusions for personal lines policies, which includes the following lines of insurance:

- individual and group life
- health insurance
- workers' compensation
- homeowners insurance
- auto insurance

This Department believes insurance consumers should not be unduly penalized for the events of September 11th. We hope the decision to disapprove terrorism exclusions for personal lines products will give insurers some leverage in the marketplace and put pressure on reinsurers to sell reinsurance coverage at a reasonable price.

It is important to note that many reinsurers are based offshore and are not regulated by federal or state governments. Due to many reinsurers refusing to continue to provide the acts of terrorism coverage,

limited terrorism exclusions for commercial lines policies have been approved throughout the country, including Arkansas.

Arkansas will only grant commercial lines terrorism exclusions if and only if the following conditions apply:

- Insurer demonstrates it cannot obtain reinsurance for terrorism
- The exclusion is no more restrictive than language drafted by the NAIC and Insurance Services Office (ISO)
- Total insured damage to all types of property exceeds \$25 million OR
- 50 or more persons sustain death or serious injury OR
- The terrorism act involves the use of nuclear materials; pathogenic or poisonous biological or chemical materials

The Arkansas Insurance Department will continue to closely review requests for rate increases, to ensure that increases are not excessive, inadequate, or unfairly discriminatory, as required by law.

We may never be the same again after the events of September 11th, but one thing remains unchanged: The Arkansas Insurance Department will not deviate from its mission to protect our fellow insurance consumers through insurer solvency and market conduct regulation, and fraud prosecution and deterrence.



Commissioner Mike Pickens



## Arkansas Insurance Day

# Arkansas Insurance Day

**Don't miss the 2<sup>nd</sup> Annual  
Arkansas Insurance Day  
A UALR Insurance Symposium  
May 1-2, 2002**

**Embassy Suites Hotel  
11301 Financial Centre Parkway  
Little Rock, Arkansas**

- **Agent CE Credits Available**
- **Golf Tournament**
- **Bailey vs. Bailey Debate**
- **Commissioners Panel**
- **Informative Discussions on Insurance-related Issues**
  - **Credit Scoring**
  - **The State of Insurance Post Sept. 11<sup>th</sup>**
  - **Tort Reform**

**Featuring  
Nationally Renowned  
Attorneys**

**F. Lee Bailey  
William "Bill" Bailey**



**For more information call (501) 569-8872 or (501) 569-3354**

# Commissioner Pickens Elected NAIC Vice President



**NAIC 2002 Officers**  
(L to R) IL Director Nat Shappo, Secretary-Treasurer  
IA Commissioner Terri Vaughan, President  
AR Commissioner Mike Pickens, Vice President

State Insurance Commissioner Mike Pickens was elected Vice President of the National Association of Insurance Commissioners (NAIC). He joins Iowa Insurance Commissioner, Terri Vaughan, who serves as President, and Secretary-Treasurer and Illinois Director of Insurance, Nathaniel Shapo, as the organization's executive leadership team for the year 2002.

The NAIC is composed of the chief insurance regulators of the fifty (50) states, the District of Columbia and four (4) United States territories.

## Credit Scoring

As a result of the Federal Fair Credit Reporting Act, many companies are venturing into the use of credit to determine the appropriate price of homeowners and automobile insurance policies. The idea is that the better your credit, the less risk you represent. With the information available from the various credit bureaus, non-insurance companies have developed models to assist insurers in the area of credit scoring.

Arkansas's statutes expressly allow the use of credit under certain conditions. In response to this law, the Insurance Department is developing guidelines for insurance companies wishing to use credit. These guidelines require that credit information be shown as a reliable predictor of future loss, and that the consumer is notified whenever credit is used to underwrite a policy, determine the premium, or when the company uses credit to determine if they want to offer a quote to a prospective consumer.

## Arkansas Addresses Mold Exclusions

Although mold has been a common challenge for homeowners for a number of years, the recent cases in Texas have received a great deal of attention and have prompted some response from some regulators.

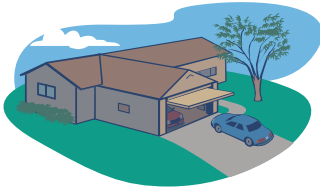
In order to clear up any misunderstanding on the part of insurance companies, and to make clear the requirements regarding mold coverage in Arkansas, the Department is developing guidelines to clarify mold related exclusions. The good news is that the Department intends to continue to offer the protection the Arkansas homeowner has against mold. A covered mold peril will remain unchanged. The Department will also encourage companies to offer remedial coverages absent a covered peril if it is priced appropriately.





# The Rate Report

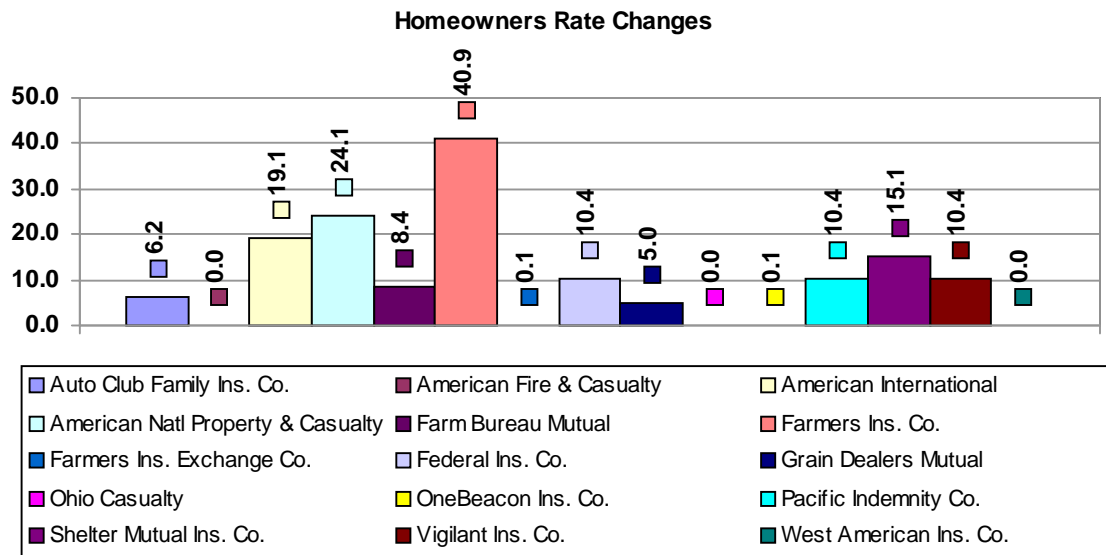
The following property and casualty rates are provided to you as a service of the Property and Casualty Division of the Arkansas Insurance Department. The rates listed in this report reflect rate increases and decreases that have been filed with the Department from December 2001 through March 2002. The market, not the State, sets the rates in Arkansas. We will utilize this section of the newsletter to keep you informed of rate changes as they occur and are released through the Department.



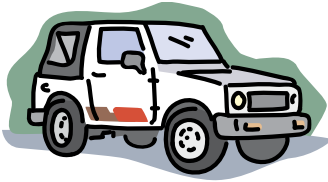
## Homeowners Rate Changes 12/1/01 to 5/1/02

Company	Percent of Increase/Decrease	Effective Dates	
		New Business	Renewals
Auto Club Family Insurance Co.	+6.17%	12/15/2001	12/15/2001
American Fire & Casualty	+.0*	05/01/2002	07/01/2002
American International Insurance Company	+19.1%	12/06/2001	12/06/2001
American National Property & Casualty	+24.13	04/01/2002	
Farm Bureau Mutual	+8.41%	12/01/2001	12/01/2001
Farmers Insurance Company	+40.9%	04/16/2002	04/16/2002
Farmers Insurance Exchange Company	+.10%	04/16/2002	04/16/2002
Federal Insurance Company	+10.4%	12/17/2001	12/17/2001
Grain Dealers Mutual	+5.00%	01/01/2002	01/01/2002
Ohio Casualty	+.0*	05/01/2002	07/01/2002
OneBeacon Insurance Company	+.12%	04/15/2002	04/15/2002
Pacific Indemnity Company	+10.4%	12/17/2001	12/17/2001
Shelter Mutual Insurance Company	+15.1%	04/18/2002	05/08/2002
Vigilant Insurance Company	+10.4%	12/17/2001	12/17/2001
West American Insurance Company	.0*	05/01/2002	07/01/2002

\*Base rate increase of 30% offset by implementation of tier rating.



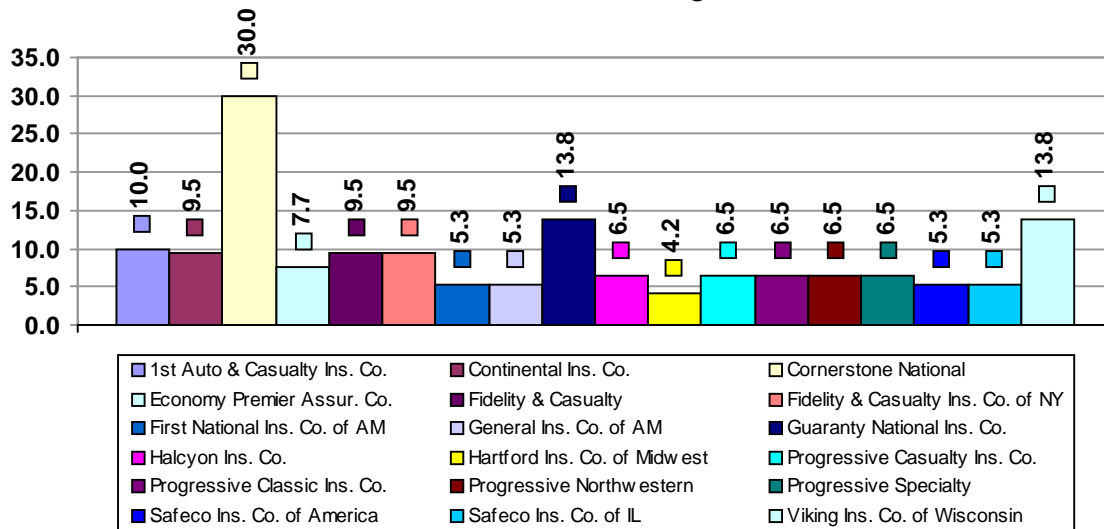
# The Rate Report



## Personal Auto Rate Changes 12/1/01 to 5/1/02

<i>Company</i>	<i>Percent of Increase/Decrease</i>	<i>Effective Dates New Business</i>	<i>Renewals</i>
1st Auto & Casualty Insurance Company	+10.0	04/15/2002	06/01/2002
Continental Insurance Company	+9.5	04/02/2002	04/02/2002
Cornerstone National	+30.0	01/01/2002	01/01/2002
Economy Premier Assurance Company	+7.7	04/01/2002	04/01/2002
Fidelity & Casualty	+9.5	04/02/2002	04/02/2002
Fidelity & Casualty Insurance Company of New York	+9.5	04/02/2002	04/02/2002
First National Insurance Company of America	+5.3	04/15/2002	05/02/2002
General Insurance Company of America	+5.3	04/15/2002	05/02/2002
Guaranty National Insurance Company	+13.8	01/14/2002	02/14/2002
Halcyon Insurance Company	+6.5	12/05/2001	12/05/2001
Hartford Insurance Company of the Midwest	+4.2	04/04/2002	04/04/2002
Progressive Casualty Insurance Company	+6.5	12/05/2001	12/05/2001
Progressive Classic Insurance Company	+6.5	12/05/2001	12/05/2001
Progressive Northwestern	+6.5	12/05/2001	12/05/2001
Progressive Specialty	+6.5	12/05/2001	12/05/2001
Safeco Insurance Company of America	+5.3	04/15/2002	05/02/2002
Safeco Insurance Company of Illinois	+5.3	04/15/2002	05/02/2002
Viking Insurance Company of Wisconsin	+13.8	01/14/2002	02/14/2002

Personal Auto Rate Changes





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## Mission Statement:

**The purpose of the State Insurance Department is to serve and protect the public interest by the equitable enforcement of the state's laws and regulations affecting the insurance industry.**

**The primary mission of the State Insurance Department shall be consumer protection through insurer solvency and market conduct regulation, and fraud prosecution and deterrence.**

*To add or remove your name from our mailing list, please contact Sandy Currington at (501) 371-2620.  
You can view The AID Newsletter on the Department's web site at [www.state.ar.us/insurance](http://www.state.ar.us/insurance).*